

(Draft-Awaiting Formal Approval)  
**MINUTES OF THE  
BUSINESS, ECONOMIC DEVELOPMENT, & LABOR  
APPROPRIATIONS SUBCOMMITTEE  
Room 25, House Building  
February 2, 2015**

**Members Present:** Sen. Brian E. Shiozawa, Senate Chairman  
Rep. Dixon M. Pitcher, House Chairman  
Rep. Stewart E. Barlow, House Vice Chair  
Sen. Curtis S. Bramble  
Sen. Wayne A. Harper  
Sen. Ann Millner  
Sen. Jerry W. Stevenson  
Sen. Evan Vickers  
Rep. Patrice M. Arent  
Rep. James A. Dunnigan  
Rep. Jeremy A. Peterson  
Rep. Val L. Peterson  
Rep. John R. Westwood  
Rep. Mark Wheatley  
Rep. Brad R. Wilson

**Members Absent:** Sen. Gene Davis  
Rep. Johnny Anderson

**Staff Present:** Dr. Andrea Wilko, Chief Economist  
Ms. Clare Tobin Lence, Fiscal Analyst  
Ms. Rosemary Young, Committee Secretary

Note: A copy of related materials and an audio recording of the meeting can be found at [www.le.utah.gov](http://www.le.utah.gov).

Rep. Barlow called the meeting to order at 8:00 a.m.

**Labor Commission Analyst Presentation and Agency Response Base Budget**

Analyst Tobin Lence used the COBI on-line to explain the Labor Commission budget. Expenditures are mostly personnel. Fees were discussed, and 3 are requested to be raised as per a handout: Electric elevator inspections raised from \$85 to \$170, Escalator inspections from \$85 to \$170, and Special inspections, per hour from \$60 to \$85 with a total estimated fee increase of \$64,600. These fees all go into the General Fund. The amount of the fee increases was determined by how long the inspections take to do. Turnover savings which result from unfilled positions are currently 3.4%. Reducing that number to 2% would result in a reduction of about \$60,900 for the 2% Budget efficiency requested.

Sherrie Hayashi, Commissioner, Utah Labor Commission, accompanied by David Lamb, Director of Administrative Services, using a power-point program described the following divisions: Antidiscrimination which saw an increase in wage claims as a result of the recent recession; Boiler, Elevator, and Coal Mine Safety which handles about 80,000 jurisdictional

objects; Adjudication, 90% of work is related to Workers Compensation claims; Utah OSHA; Industrial Accidents which is the regulatory aspect of Workers Compensation.

The agency has a total of \$12.1M in expenditures of which \$2.8 M is federal grants. The two restricted accounts are the Industrial Accident Restricted Fund and Workplace Safety Fund. The General Fund accounts for about \$5.8 M. There are 120 employees. If federal funds were withdrawn in OSHA it would mean that Utah's program is not considered as effective as the federal program, and Federal OSHA would become the regulator in the state. The Workplace Safety Fund became depleted during the downturn.

The purpose of raising fees is to make them match up more closely with expenses. The last fee change was in the 90's. Coal mines are under federal supervision. Utah has one FTE in the mine safety area and has no authority to cite a mine operator for safety violations. The number of FTE's is trending down from 133 in 2008. One FTE was requested last year for the Boiler and Elevator inspections. The \$85,000 for that position has resulted in \$103,000 additional fees returned to the General Fund in FY 2014.

Recent efficiencies are found in the Adjudications Division where 85% of cases are being completed in a timely way using a new hearing schedule. The agency is making no building block requests. Non-lapsing intent language is being requested for the EDI computer project. David Lamb explained that temporary positions have been funded using turnover savings.

### **USTAR Analyst Presentation and Agency Response Base Budget**

Dr. Wilko reviewed the USTAR budget from the COBI online. This agency is the most restructured of all the agencies in this committee. The vision and mission statements have been updated and are found also in the COBI. Performance metrics are being updated. The 2% reductions are targeting the lowest performing research teams.

Greg Bell, Chair, USTAR Governing Authority, and Ivy Estabrook, Executive Director, distributed a handout and acknowledged that the agency has experienced considerable change in the last year. Also the past year has been spent in pursuing the recommendations of the negative audit of a year ago. The audit has been updated and will be addressed in a later meeting. The agency is trying to clean up paper work concerning understandings with researchers and universities as to rent and relationships. USTAR has hired an auditor. The board has committed to review every project every year which is a huge undertaking and now feels that they are in charge and have accurate information. The final template has not been determined, but progress is being made

Dr. Estabrook informed the committee that USTAR is not asking for any budget building blocks. Three components to the program are: research teams, buildings and infrastructure, and technology outreach. In the FY2016 budget 50% of funding went to U. of U. research teams, 34% to U. S. U. research teams, 13% to technology outreach, and 3% to administration. There are 42 researchers recruited from across the U.S. and around the world. There are six offices in

the outreach program affiliated with regional universities primarily, three of which are regionally focused. Challenges concerning the research teams are the \$7.5M ongoing salary commitment to tenured faculty and \$14M ongoing liability for start up packages. The agency is requesting that those funds be non-lapsing and is also renegotiating with the teams that by 2016 the start up will be paid out and terminated. This will do away with the ongoing liability. A new budget process has been put in place. It was clarified that the professors are highly motivated people who are university employees, not USTAR employees, but they receive research grants from USTAR with a specific goal.

Legislative requests include the ability to transfer funding to cover oversight functions, non-lapsing requests, and technical requests: merge research line items which allows for greater flexibility, new programs for increased transparency, rename programs within Technology Outreach Innovation Program line item. The 2% reduction specifically would be \$264,400 from U. of U. research line item and \$176,300 from U. S. U. research line item. The GA is still trying to figure out how best to conduct the program. There was discussion as to what would happen to the program if USTAR was disbanded. Chair Bell reported that funding directly to the universities for research would not happen without USTAR or some similar vehicle. Huge job creation is not a realistic expectation.

#### **Department of Insurance Analyst Presentation and Agency Response Base Budget**

Dr. Wilko reviewed the budget and the 2% reduction using COBI online.

Todd Kiser, Commissioner, Insurance Department, and Patrick Lee, Director, Administration Division, with a slide presentation reminded the committee that the department's mission is to foster a healthy insurance market by promoting fair and reasonable practices that insure availability, affordability, and reliable insurance products and services. There are 9 divisions; the Captive Insurance Division is fast-growing in the state primarily because of reasonable fees and is a form of self insurance. A new fee being requested is \$1,000 per cell under the Captive Division. The need for auditing to determine that companies domiciled in Utah are holding to the promises they make to policy holders was explained. Through the National Association of Insurance Commissioners all jurisdictions are held to the same standards and regulated to the same extent. Insurance is the only sector in the U.S. financial system which is wholly regulated by the states. The staff of the Insurance Department are highly educated and trained. From 2003 to 2013, \$1.4B came in in premium taxes and an additional \$168M in other fees and assessments. Revenues into the restricted and unrestricted accounts are up which reflects the improved economy. The only money coming directly to the department is that from the Relative Value Study. Excess money coming from fees and fines goes to the General Fund and was around \$3M last year. Patrick Lee, Budget Director, referenced pass through funds from programs which are sunseting and will no longer be in the department's budget. Budget increases which will occur in a couple of years have to do with the Captive Insurance Division. Commissioner Kiser addressed the 2% cuts and requests that they occur in the cost allocation. Recent successes have been that 70% of 22,305 licenses were processed the same day that the department got the

information. Testimony from two insurance companies was shared as to reduced costs for

examinations.

Dr. Wilko pointed out to the committee that a balance of \$16.2M resulting from the close out of the Comprehensive Health Insurance Program remains with the committee and may be available for prioritization later.

### **Alcoholic Beverage Control Analyst Presentation and Agency Response Base Budget**

Dr. Wilko reviewed the DABC budget from COBI online. It is estimated that \$96.5M will go to the General Fund in 2016.

Sal Petilos, Director, DABC, using a slide presentation and a handout, discussed the department's mission and reported that there are about 570 FTEs organized into 3 functions: operations, regulatory, and education. From FY2010 to FY2014 sales revenue grew about 31.2% without an increase in FTEs. The majority of licenses and permits in FY2014 were for special events, next in amount but still less by more than half was retail licenses. Total retail licenses were 2,152 and audits performed were 1,522 with 249 licensee violation referrals. Through a chart it was shown that nationally and in Utah youth past 30 day alcohol use is down from 2005 to 2013 - 23% nationally and 40% in Utah. The 2% budget reduction would be achieved by eliminating shipping costs increases - \$300,000 and efficiencies from new information system - \$200,000.

Turnover rates have gone up as the economy has improved, mostly occurring among part-time but also among full-time sales clerks. Pay has been increased to \$9/per hour for part-time clerks. The turnover rate is uneven store to store, and they are trying to determine what the more successful stores are doing to decrease turnover. The savings in shipping costs has been achieved by streamlining the system. Lower licensing costs for the information system are resulting in the expected efficiency.

Doug Murakami, Director, Education Program, addressed the subject of binge drinking.

**MOTION:** Rep. Pitcher moved to adjourn. The motion passed unanimously with Sen. Bramble, Sen. Millner, Rep. Dunnigan, Rep. V. Peterson, and Rep. Wilson absent for the vote.

Rep. Barlow adjourned the meeting at 10:42 a.m.

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Sen. Brian E. Shiozawa, Chair

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Rep. Dixon Pitcher, Chair